Supreme Court, U. S.
FILED
JAN 30 1980
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. 79-1175

WM. T. BURNETT & COMPANY, INC., *Petitioner,*

v.

THE GENERAL TIRE & RUBBER COMPANY, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

ALFRED W. BREINER
727 — 23rd Street, South
Arlington, Virginia 22202

Attorney for Petitioner

Of Counsel:

ROBERT C. PREM
929 N. Howard Street
Baltimore, Maryland 21201

THEODORE A. BREINER
727 — 23rd Street, South
Arlington, Virginia 22202

PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D.C.

INDEX TO PETITION

	PAGE
OPINIONS BELOW	1
JURISDICITON	2
QUESTIONS PRESENTED	2
CONSTITUTIONAL PROVISIONS AND JUDICIAL DOCTRINE INVOLVED	3
STATEMENT OF THE CASE	3
REASONS FOR GRANTING THE WRIT	8
I. The *Res Judicata* Bar Is Not Absolute And Is Inappropriate When Fraud Is Practiced On A Judicial Tribunal	8
II. The Doctrine Of *Res Judicata* Is Inapplicable Because The Case At Bar Involves A Different Cause Of Action Than That Decided In The Patent Office Interference, And At The Time Of The Interference The Cause Of Action Stated Was Unknown To Burnett	12
III. *Daniels v. Coe*, 116 F.2d 941, Is Not Authority For The Court Of Appeals Decision	14
IV. The Fourth Circuit Court Of Appeals Decision Denies Burnett Its Right To Due Process Of Law As Guaranteed By The Fifth Amendment Of The United States Constitution	16
V. The Fourth Circuit Court Of Appeals Decision Erroneously Requires An Attorney To Raise The Issue Of Fraud At All Court And Administrative Proceedings	17
VI. To Bar A Cause Of Action Based On A Judgment Fraudulently Obtained Is To Reward Fraud And Encourage Fraud By Others	18
CONCLUSION	19

INDEX TO APPENDIX

PAGE

Appendix A—Opinion Of Trial Judge, District Court, D. Maryland, Decided July 21, 1978 .... 1a

Appendix B—Opinion, Court of Appeals, Fourth Circuit, Decided September 17, 1979 ..... 18a

Appendix C—Order, Court of Appeals, Fourth Circuit, Denying Petitioner's Petition For Rehearing, November 1, 1979 ..... 23a

Appendix D—Order, Court Of Appeals, Fourth Circuit, Denying Petitioner's Motion For An En Banc Review, January 22, 1980 ..... 24a

Appendix E—Constitutional Provisions And Judicial Doctrine Involved 25a

Amendment V 25a

Appendix F—Article From *BNA's Patent, Trademark & Copyright Journal,* November 1, 1979, No. 452, pp. A8-A9, entitled "Failure To Appeal Interference Defeat Bars Subsequent Assertion Of Fraud Claim" 26a

TABLE OF AUTHORITIES

CASES: PAGE

Charles Keeshin, Inc. v. Farmers & Merchants Bank of Rogers, 199 F.Supp. 478 (W.D. Ark. 1961)... 11

Commissioner v. Sunnen, 333 U.S. 591 (1948) 2, 9 10, 12, 13, 16

Daniels v. Coe, 116 F.2d 941 (D.C. Cir. 1940)..... 14

Goss v. Lopez, 419 U.S. 565 (1975)..... 16

Grannis v. Ordean, 234 U.S. 385 (1914) 16

Grummons v. Zollinger, 240 F.Supp. 63 (N.D. Ind. 1964)..... 10, 11

Hazel-Atlas Glass Company v. Hartford-Empire Company, 322 U.S. 238 (1944)..... 15, 16

In Re Multidistrict Litigation Involving Frost Patent, 398 F.Supp. 1353 (D. Del. 1975), aff'd in part and rev'd in part 540 F.2d 601 (3rd Cir. 1976) ... 5, 7

In Re Taub et al, 348 F.2d 556 (C.C.P.A. 1965) 3

Miller v. United States, 438 F.Supp. 514 (E.D. Penn. 1977) 10

Riehle, Receiver v. Margolies, 279 U.S. 218 (1929)... 10

Roberts v. Sears, Roebuck & Company, 573 F.2d 976 (7th Cir. 1978) 18

Societe Internationale v. Rogers, 357 U.S. 197 (1958) 16

United States v. Pueblo of Taos, 515 F.2d 1404 (Ct.Cl. 1975) 10

Walker Process Equipment, Inc. v. Food Machinery and Chemical Corporation, 382 U.S. 172 (1965) . 14

TABLE OF AUTHORITIES CONTINUED

CONSTITUTION OF THE UNITED STATES: PAGE

Fifth Amendment 2, 3, 16

STATUTES:

28 U.S.C. § 1332 7

28 U.S.C. § 1254(1) 2

OTHER AUTHORITIES:

BNA's Patent, Trademark & Copyright Journal, November 1, 1979, No. 452, pp. A8-A9 17

IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No.

WM. T. BURNETT & COMPANY, INC., *Petitioner,*

v.

THE GENERAL TIRE & RUBBER COMPANY, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Petitioner, the plaintiff below, prays that the Court issue a writ of certiorari to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit entered on September 17, 1979

OPINIONS BELOW

The opinion of the District Court Judge is reported at 454 F.Supp. 794, 200 USPQ 223 (D. Md. 1978)(Appendix A to this Petition). The opinion of the Court of Appeals for the Fourth Circuit is reported at 203 USPQ 801 (4th Cir. 1979)(Appendix B). The denial of petitioner's Petition For Rehearing by the Court of Appeals for the Fourth

Circuit (unpublished) is set forth in Appendix C. The denial of Petitioner's Motion For En Banc Review Of The Denial Of Plaintiff-Appellant's Petition For Rehearing by the Court of Appeals for the Fourth Circuit (unpublished) is set forth in Appendix D.

JURISDICTION

The judgment of the Court of Appeals for the Fourth Circuit was dated and entered on September 17, 1979. Petitioner's timely petition for rehearing was denied on November 1, 1979; and this Petition for certiorari was filed within ninety (90) days of that date. Petitioner invokes the jurisdiction of this Court under 28 USC § 1254(1).

QUESTIONS PRESENTED

I. Is the Fourth Circuit Court of Appeals holding that a party can practice fraud upon a judicial tribunal, obtain a favorable judgment, and then assert *res judicata* to sustain the fraud practiced on the tribunal, in error?

II. Is the Fourth Circuit Court of Appeals holding that a judgment is final and *res judicata* even if obtained by fraud on the court contrary to and in conflict with the Supreme Court decision in *Commissioner v. Sunnen,* 333 U.S. 591 (1948), stating that a judgment is *res judicata* only absent fraud?

III. Does the doctrine of *res judicata* bar a subsequent *different* cause of action between the same parties as held by the Fourth Circuit Court of Appeals and contrary to the Supreme Court decision in *Commissioner v. Sunnen, supra*?

IV. Does the fifth amendment due process clause forbid a judgment from being absolute and *res judicata* when that judgment was procured by fraud?

V. Does the Fourth Circuit Court of Appeals decision, based on *res judicata*, now require every administrative law attorney to raise the issue of fraud,

whether or not he knows of fraud, at the administrative level of an administrative proceeding or be forever barred from raising it?

CONSTITUTIONAL PROVISIONS AND JUDICIAL DOCTRINE INVOLVED

The questions presented by this Petition require interpretation of the doctrine of *res judicata* and the fifth amendment of the Constitution of the United States (Appendix E hereof).

STATEMENT OF THE CASE

Petitioner, Wm. T. Burnett & Company, Inc. (hereinafter "Burnett"), is a manufacturer of polyurethane foam, as is the respondent, The General Tire & Rubber Company (hereinafter "General"). This case involves the proceedings of a patent interference[1] between Burnett and General, at which proceedings Burnett asserts that General perpetrated fraud upon the Patent Office and Burnett. The pertinent facts to this Petition are set forth below.

On September 15, 1956, Burnett, in the name of Dr. Klesper, filed United States patent application Serial No. 610,658 entitled "Polyurethane Foam, Compositions and

[1] An "interference" in the Patent Office is an *inter partes* proceedings whereby the Patent Office determines priority between two applications having different inventive entities, or an application and a patent having different inventive entities. Priority is determined on the basis of a "count" or "counts." The "count" or "counts" of an interference usually defines the subject matter as broadly as the Patent Office believes permissible in determining priority. It is possible that a party not prevailing in an interference with respect to the count or counts can obtain a patent directed to a more limited or species claim falling within the count or counts. *In re Taub et al,* 348 F.2d 556 (C.C.P.A. 1965).

Methods." The application was directed to the use of liquid halocarbons as blowing agents in the manufacture of polyurethane foams.

General, on October 20, 1955, filed Frost United States patent application Serial No. 541,823 directed to the use of gaseous halogen-substituted alkanes as blowing agents in the manufacture of polyurethane foams. General encountered difficulty before the Patent and Trademark Office in prosecuting the Frost application as a result of the Patent Office examiner noting earlier patents disclosing the manufacture of polyurethane foam in the presence of halogenated alkanes which had high boiling points. In response to this difficulty General asserted to the Patent Office examiner that the halogenated alkanes of the prior art would not work successfully due to their high boiling point, i.e., being liquid at room temperature, and endeavored at the suggestion of the Patent Office examiner to obtain experimental data to establish their inoperability.

Subsequent to Burnett's 1956 application date, General began experimentation to support its claim that high boiling point halogenated alkanes were not operable. This experimental work and testing established, contrary to General's position, that the high boiling point halogenated alkanes were useful as blowing agents. This information was obtained by General sometime in 1958 and before April 1, 1959. General did not disclose this information to the Patent Office in its prosecution of the Frost application Serial No. 541,823 or at any time subsequent thereto.

On April 1, 1959, General elected to file in place of Frost application Serial No. 541,823, two continuation-in-part[2] applications; one application Serial No. 803,381

[2] A continuation-in-part application is an application which contains subject matter in common with an earlier copending application, and contains additional subject matter.

limited to polyether polyurethane foams, the application subsequently issuing as United States Patent No. 3,072,582; and the second application Serial No. 803,380 limited to polyester polyurethane foams, the application subsequently issuing as United States Patent No. 3,391,093. General continued to assert during the prosecution of these two continuation-in-part applications that high boiling point halogenated alkanes were not operable as blowing agents.

The United States District Court for the District of Delaware, in *In Re Multidistrict Litigation Involving Frost Patent*, 398 F.Supp. 1353 (D.Del. 1975), held that the Frost United States Patent No. 3,072,582 was invalid because it was procured by fraud, the said fraud being General's failure to advise the Patent Office of the results of the experimental work and tests which General carried out and which could have adversely affected the Patent Office examiner with respect to General's right to obtain patents on the Frost applications. The fraud found by the court originated in the prosecution of patent application Serial No. 541,823 and continued during the course of the prosecution of Serial Nos. 803,380 and 803,381, the fraud being indivisible as it relates to the two continuation-in-part applications. The holding of fraud was affirmed by the United States Court of Appeals, Third Circuit, *In Re Multidistrict Litigation Involving Frost Patent*, 540 F.2d 601 (3rd Cir. 1976).

During the time period of the aforementioned proceedings involving General's prosecution of the Frost application, the Patent Office, after having found invention, allowed claims in Burnett's Klesper application Serial No. 610,658 covering the use of liquid haloalkanes as blowing agents in both polyether and polyester polyurethane foams.

On December 10, 1962, the Patent Office declared Interference No. 93,228 between Burnett's Klesper application Serial No. 610,658 filed September 18, 1956 and General's Frost application Serial No. 803,380 filed April 1, 1959, according General benefit of Frost application Serial No. 541,823 filed October 20, 1955. The Patent Office Board of Interference, after lengthy interference proceedings, awarded priority to defendant's Frost application Serial No. 803,380 and rejected Burnett's Kelesper application Serial No. 610,658 for patent.

General, in the interference proceeding, continued to withhold from the Patent Office and from Burnett the information it had developed establishing the value of high boiling liquid halogenated alkanes in blowing polyurethane foams. General continued to state that the high boiling point liquid halogenated alkanes were not operable knowing full well based on its experiments that such assertions were false, and that Burnett in the Klesper application was asserting the contrary to the Patent Office. General did not state to the Patent Office that it had discovered, after the Klesper application was filed, the operability and superiority of liquid halogenated alkanes as blowing agents, knowing full well that if it had, the Patent Office would have denied it patents and awarded a patent to Burnett containing its once allowed claims.

The aforementioned fraud by General caused Burnett to lose the claims granted to it earlier by the Patent Office. If General would have let it be known that its tests and experimentation, subsequent to 1956 and Burnett's filing for patent, established for the first time the success and surprising superiority of liquid halogenated alkanes as blowing agents for the manufacture of polyurethane foam, then Burnett would not have lost its previously allowed claims.

The Patent Office examiner and Burnett were unaware of the fraud perpetrated by General at the time of the interference. The fraud perpetrated by General in the prosecution of the Frost patent applications, more particularly in Interference No. 93,228, did not become known to Burnett until the District Court decison in *In Re Multidistrict Litigation Involving Frost Patent, supra.*

Burnett, becoming aware of General's fraud, commenced the present civil action in the District Court of Maryland against General for damages to Burnett as a result of General's tortious conduct, i.e, fraud, during the interference proceeding, jurisdiction being based on Section 1332 of Title 28 of the United States Code. General moved the court to dismiss Burnett's complaint or in the alternative for summary judgment. After allowing Burnett to amend its complaint, the District Court granted General's motion (Appendix A) and Burnett appealed.

The Fourth Circuit Court of Appeals affirmed the decision of the District Court (Appendix B) in reliance on the doctrine of *res judicata.* The Court of Appeals held that because Burnett did not appeal the interference decision and raise the issue of fraud, a fraud that Burnett did not know of and which was undiscoverable under Patent Office discovery procedure at the time of the interference, that Burnett was precluded from litigating the present cause of action based on the doctrine of *res judicata.* The Fourth Circuit Court of Appeals having found *res judicata* refused to consider Burnett's allegation contained in its complaint.

Petitioner petitions this Court by writ of certiorari for a review of the Fourth Circuit Court of Appeals decision in order that the erroneous application of *res judicata* can be corrected so as to comply wth this Court's decisions; so as to be in accord with the decisions of other circuits, and for public policy reasons. The Fourth Circuit Court of Ap-

peals decision is against the public interest in that it effectively states that a party can practice fraud upon a judicial tribunal, obtain a favorable judgment, and then assert *res judicata* to sustain the fraud practiced on the court.

REASONS FOR GRANTING THE WRIT

I. The *Res Judicata* Bar Is Not Absolute And Is Inappropriate When Fraud Is Practiced On A Judicial Tribunal.

The Fourth Circuit Court of Appeals decision is based on the following reasoning—

> "Resolution of this controversy rests upon the determination by Burnett not to pursue its various contentions in a suit to review the decision in the Interference, as permitted by statute. (Citations omitted) That resolve foreclosed any further claims that the loss of priority was attributable to any issue open to litigation in that proceeding, *including fraud*. Principles of res judicata squarely bar Burnett's demands for damages. *Daniels v. Coe,* 116 F.2d 941, 47 USPQ 203 (D.C. Cir. 1940). In *Daniels*, Vinson, A. J., later Chief Justice of the United States, announced for the Court:
>
> "An interference determination settles not only the claims made, but all that could have been presented.
>
> * * *
>
> "Whether the second proceeding is an interference, a reissue, a suit to obtain letters patent, or other type of action, the first proceedng is res judicata on all claims that were made or could have been made therein. (Footnotes omitted)." (Emphasis added) [Appendix B, pp. 21a-22a]

The Court of Appeals erred in its application of the doctrine of *res judicata,* the Court's application being contrary to decisions of the United States Supreme Court.

This Court in *Commissioner v. Sunnen,* 333 U.S. 591 (1948), the Court's most recent discussion of *res judicata,* stated that—

> "The judgment puts an end to the cause of action, which cannot again be brought into litigation between the parties upon any ground whatever, *absent fraud or some other factor invalidating the judgment.* (Citations omitted)" (Emphasis added) [333 U.S. 591 at 597.]

It is clear from this Court's ruling that the doctrine of *res judicata* is not absolute, and more particularly that fraud will prevent a party from effectively raising the *res judicata* defense.

In the case at bar, General perpetrated fraud upon the Patent Office and Burnett during the interference proceedings. General made false statements as to the operability of liquid halocarbons as blowing agents and withheld information from the Patent Office and Burnett as to General's first knowledge and actual use of liquid halocarbons as blowing agents. Burnett and the Patent Office were unaware of General's fraudulent conduct throughout the course of the interference proceedings. Based upon the testimony received at the interference proceeding, including the fraudulent statements of General and without knowledge of all the facts, the Patent Office awarded priority to General and disallowed the claims previously granted Burnett. The Patent Office priority determination at the interference was obtained by General's fraudulent conduct.

Applying the law set forth by this Court in *Sunnen, supra,* it is submitted that General *cannot* raise the Patent Office interference decision as *res judicata* to bar Burnett's present cause of action because the determination was obtained by fraud. The Fourth Circuit Court of

Appeals erred in its application of *res judicata* in holding that the interference determination is *res judicata* to the present action, even though fraud was practiced on the Patent Office to obtain that determination.

This Court in *Riehle, Receiver v. Margolies,* 279 U.S. 218 (1929), also stated that—

> "A judgment of a court having jurisdiction of the parties and of the subject matter operates as res judicata, *in the absence of fraud* or collusion, even if obtained upon a default. (Citations omitted)" (Emphasis added) [279 U.S. 218 at 225.]

This Court's determinations have been followed by the lower courts. The District Court of Pennsylvania in *Miller v. United States,* 438 F.Supp. 514 (E.D. Penn. 1977), reyling on this Court's holding in *Sunnen, supra,* stated—

> "Of course, if the judgment in the Court of Claims action was obtained by fraud, it will not have res judicata effect. See *Sunnen, supra,* 333 U.S. at 597, 685 S.Ct. 715; *Grummons v. Zollinger,* 240 F.Supp. 63, 75-76 (N.D. Ind. 1964), aff'd 341 F.2d 464 (7th Cir. 1965); Restatement of Judgments § 62(b) (1942); Restatement (Second) of Judgments § 61.2(1)(g) (Tent. Draft No. 1, 1973)." [438 F.Supp. 514 at 523.]

The Court of Claims in *United States v. Pueblo of Taos,* 515 F.2d 1404 (Ct.Cl. 1975), in holding that the *res judicata* bar is not absolute, said—

> "It can be lifted by an 'independent action' in another tribunal if the original decision alleged as a bar was unconscionable because obtained by fraud on the court, . . . [515 F.2d 1404 at 1406.]

The District Court of Indiana in *Grummons v. Zollinger,* 240 F.Supp. 63 (N.D. Ind. 1964), also recognized that the principle of *res judicata* may not be invoked to sustain fraud, stating—

> "It is equally true that the principle of res judicata may not be invoked to sustain fraud, and that a judgment obtained by fraud or collusion may not be used as a basis for the application of the doctrine of res judicata. (Citations Omitted)" [240 F.Supp. 63 at 75.]

The District Court of Arkansas in *Charles Keeshin, Inc. v. Farmers & Merchants Bank of Rogers,* 199 F.Supp. 478 (W.D. Ark. 1961), discusses at length the doctrine of *res judicata.* The court cites *American Jurisprudence* for the doctrine of *res judicata* as follows—

> "The doctrine of res judicata as stated in many cases is that an existing final judgment rendered upon the merits, *without fraud* or collusion, by a court of competent jurisdiction, is conclusive of rights, questions, and facts in issue, as to the parties and their privies, in all other actions in the same or any other judicial tribunal of concurrent jurisdiction." [199 F.Supp. 478 at 489.]

No case law is known to petitioner which supports the Fourth Circuit Court of Appeals holding that the doctrine of *res judicata* will be applied *even* when fraud is involved in procuring the judgment. To the contrary, this Court has mandated that the doctrine of *res judicata* will not sustain a fraudulent judgment, particularly to the detriment of innocent parties and the public interest. This Court must reverse the Fourth Circuit Court of Appeals. To do otherwise can only encourage fraudulent conduct before judicial tribunals, particularly before administrative agencies such as the Patent Office, and cause injury to the public.

II. The Doctrine Of *Res Judicata* Is Inapplicable Because The Case At Bar Involves A Different Cause Of Action Than That Decided In The Patent Office Interference, And At The Time Of The Interference The Cause Of Action Stated Was Unknown To Burnett.

The Fourth Circuit Court of Appeals erred in applying the doctrine of *res judicata* to this case. *Res judicata* is to be applied to repetitious suits involving the same cause of action and not to suits involving different causes of action. The case at bar involves a cause of action for fraud, an action separate and distinct from the interference proceeding before the Patent Office.

This Court in *Sunnen, supra*, discussed at length the application of the doctrine of *res judicata*, a discussion which the Fourth Circuit Court of Appeals chose not to follow. In *Sunnen, supra*, this Court stated that—

> "The general rule of *res judicata* applies to repetitious suits involving the same cause of action . . .
>
> "But where the second action between the same parties is upon a different cause or demand, the principle of *res judicata* is applied much more narrowly. In this situation, the judgment in the prior action operates as an estoppel, not as to matters which might have been litigated and determined, but 'only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered.' (Citations omitted) Since the cause of action involved in the second proceeding is not swallowed by the judgment in the prior suit, the *parties are free to litigate points which were not at issue in the first proceeding, even though such points might have been tendered and decided at that time. But matters which were actually litigated and determined in the first proceeding cannot later be relitigated.* Once a

> party has fought out a matter in litigation with the other party, he cannot later renew that duel. In this sense, *res judicata* is usually and more accurately referred to as estoppel by judgment, or collateral estoppel. See Restatement of the Law of Judgments, §§ 68, 69, 70; Scott, 'Collateral Estoppel by Judgment,' 56 Harv. L.Rev. 1." (Emphasis added) [333 U.S. 591 at 597-598.]

It is apparent from this Court's holding that *res judicata* is inapplicable and inappropriate to cases involving different causes of action. In the case at bar the patent examiner's decision, asserted by General to be *res judicata*, was based *solely* on the issue of priority. The issue of fraud and the damages to Burnett caused by the fraud were not raised or litigated, and could not have been raised or litigated as the fraud perpetrated by General was unknown to the Patent Office and Burnett.

Burnett's amended complaint alleges a cause of action totally different from the action litigated during the Patent Office interference proceeding. During the interference the Patent Office considered and decided the issue of priority of a generic claim embracing both gaseous and liquid halocarbon blowing agents (the Patent Office would not separately determine priority of the liquid halocarbon blowing agents because of General's fraud). Burnett's amended complaint alleges the tort of fraud committed by General on the Patent Office and Burnett which fraud disparaged the Burnett invention and caused damage to Burnett. The fraud alleged by Burnett was unknown to Burnett at the time of the interference proceeding. The principles of *res judicata* are inapplicable to the case at bar under this Court's holding in *Sunnen, supra*.

The Fourth Circuit Court of Appeals has abrogated the law set forth by this Court, and has done so to the

detriment of future litigants in that circuit. The law of the Fourth Circuit now holds that a party has no remedy when it receives as adverse decision because of fraud, unknown to it, perpetrated upon the judicial tribunal rendering the decision. The Fourth Circuit holds that upon discovery of the fraud a party has no cause of action as the fraudulently obtained judgment is *res judicata*. This law is contrary to this Court's determination in *Sunnen, supra,* and it works an inequitable hardship upon the public which has an overriding interest in voiding judgments obtained by fraud.

III. *Daniels v. Coe,* 116 F.2d 941, Is Not Authority For The Court Of Appeals Decision.

The Fourth Circuit Court of Appeals holding that Burnett's present cause of action is barred under the principles of *res judicata* relies on *Daniels v. Coe,* 116 F.2d 941 (D.C. Cir. 1940). In the passage cited by the Court, it is stated that—

> "An interference determination settles not only the *claims made*, but all that could have been presented." (Emphasis added) [Appendix B, p. 22a]

The Court of Appeals interprets "claims" as used in the decision as synonymous to causes of action. It is submitted that this is not a proper interpretation. "Claims" as used in *Daniels v. Coe, supra,* refers to the claims of a patent or the counts of an interference and not as being equivalent to a cause of action. Note that in 1940, the time of the decision in *Daniels v. Coe,* it was not possible for a private patent litigant, including in an interference, to defensively or offensively assert fraud to invalidate a patent. The first instance of defensive use of fraud to invalidate a patent by a private litigant was in 1965 in *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corporation,* 382 U.S. 172 (1965).

As previously stated, Burnett could not have asserted the fraud of General at the interference or immediately thereafter because it was not known to Burnett. When fraud is practiced on the court to procure a judgment, this Court has not allowed the perpetrator of the fraud to benefit from his fraudulent conduct, no matter when the fraud was discovered or first raised. *Hazel-Atlas Glass Company v. Hartford-Empire Company*, 322 U.S. 238 (1944).

In *Hazel-Atlas, supra,* a case similar in many aspects to this case, this Court vacated a judgment obtained by Hartford-Empire nine years earlier because of the fraud Hartford-Empire practiced on the court. The fraud practiced on the court was the submission of a fraudulent document into evidence, a document also submitted to the Patent Office in order to obtain the patent in suit. This Court in vacating the judgment by fraud stated—

> " . . .the courts have developed and fashioned to fulfill a universally recognized need for correcting injustices which, in certain instances, are deemed sufficiently gross to demand a departure from rigid adherence to the term rule. . . .where enforcement of the judgment is 'manifestly unconscionable,' . . . they have wielded the power without hesitation.
>
> * * *
>
> "Every element of the fraud here disclosed demands the exercise of the historic power of equity to set aside fraudulently begotten judgments.
>
> * * *
>
> "This matter does not concern only private parties. There are issues of great moment to the public in a patent suit. . . .It is a wrong against the institutions set up to protect and safeguard the public, institutions in which fraud cannot complacently be tolerated consistently with the good order of society." [322 U.S. 238 at 244-246.]

Burnett's situation is similar. Burnett did not learn of the fraud until years after the interference. Burnett was unable to raise the issue of fraud at the interference because of this lack of knowledge and yet the Fourth Circuit Court of Appeals held that Burnett must raise the issue of fraud at the interference or on appeal or be forever barred based on *res judicata*. This logic is contrary to the law of this Court as set forth in *Sunnen, supra,* and *Hazel-Atlas, supra.*

IV. The Fourth Circuit Court Of Appeals Decision Denies Burnett Its Right To Due Process Of Law As Guaranteed By The Fifth Amendment Of The United States Constitution.

The due process clause of the fifth amendment of the Constitution limits the power of courts to dismiss an action without affording a party the opportunity for a hearing on the merits. *Societe Internationale v. Rogers,* 357 U.S. 197 (1958). The Fourth Circuit Court of Appeals' erroneous application of the doctrine of *res judicata,* as aforementioned, deprived Burnett of its right to have the merits of its fraud cause of action heard.

The case at bar puts into issue genuine disputes as to material facts relating to the damages suffered by Burnett due to General's fraudulent conduct before the United States Patent Office. This Court has consistently held that the fundamental requisite of due process of law is the opportunity to be heard. *Societe Internationale v. Rogers, supra,* 234 U.S. 385 (1914); *Goss v. Lopez,* 419 U.S. 565 (1975); *Grannis v. Ordean,* 234 U.S. 385 (1914). Burnett has not been allowed this fundamental right.

The Fourth Circuit Court of Appeals has denied Burnett its right to due process on the basis of *res judicata,* stating that Burnett chose "not to pursue its various contentions in a suit to review the decision in the Interference." (Appendix B, p. 21a) As previously stated,

Burnett could not have raised the issue of fraud since it was unknown to Burnett at the time. Burnett has not been allowed its fundamental right to have its fraud cause of action heard on the merits.

V. The Fourth Circuit Court Of Appeals Decision Erroneously Requires An Attorney To Raise The Issue Of Fraud At All Court And Administrative Proceedings.

The Court of Appeals held that Burnett was barred under the doctrine of *res judicata* from commencing its cause of action for fraud because it did not raise the claim in the earlier interference proceeding, a claim unknown at the time. The Court of Appeals in effect states that a litigant, even before an administrative agency, must assume that the conduct of the opposing litigant is fraudulent and assert fraud as an issue or be barred from its claim if later discovered. This would substantially prolong any proceeding before the courts and administrative agencies, wasting judicial time and being prejudicial to the public and to the litigants.

Moreover, the question of *res judicata* as used to decide the case at bar is of exceptional importance in the field of administrative law, as evidenced by the article in *BNA's Patent, Trademark & Copyright Journal* (Appendix F) discussing the present case. The decision of the Court of Appeals advises every administrative law attorney — not only every patent attorney — that he must raise the issue of fraud, whether or not he knows of fraud, at the administrative level of an administrative proceeding or be forever barred from raising it. The Court of Appeals' erroneous application of the doctrine of *res judicata* must be reversed in order to avoid the substantial inequities it will cause to the public.

VI. To Bar A Cause Of Action Based On A Judgment Fraudulently Obtained Is To Reward Fraud And Encourage Fraud By Others.

Burnett's present complaint is based on General's fraud on the Patent Office which also disparaged a Burnett invention and deprived Burnett of a valuable patent on its invention. Burnett in its present cause of action seeks damages from General for its loss.

To hold that Burnett is barred under the principles of *res judicata* because it did not raise its present claim asserting General's fraud in 1966, even though the fraud was not known by Burnett until sometime in 1975, is to encourage fraud. It permits General, the perpetrator of the fraud, to be unjustly enriched as a direct result of its fraud and denies Burnett of its opportunity to prove the allegations of its complaint.

There is nothing in the Patent Laws requiring that fraud in a patent case be treated differently from fraud in any other proceeding. In *Roberts v. Sears, Roebuck & Co.*, 573 F.2d 976 (7th Circ. 1978), the United States Court of Appeals, Seventh Circuit, stated—

> "Certainly nothing in patent law requires this court to permit fraud to go unremedied. *Cf. Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 487, 94 S.Ct. 1879, 40 L.Ed. 2d 315 (1974) (nothing in patent law discourages states from preventing industrial espionage)." [573 F.2d 976 at 982.]

Burnett submits that the doctrine of *res judicata,* as set forth by this Court, does not permit fraud to go unremedied and that the Fourth Circuit Court of Appeals decision must be reversed.

CONCLUSION

The Fourth Circuit Court of Appeals in the present case has rendered a decision in conflict with decisions of this Court and the lower courts regarding the application of the doctrine of *res judicata.* This Court must review and reverse the Fourth Circuit Court of Appeals' erroneous statement of law.

For the reasons expressed in this Petition, a writ of certiorari should issue to the Fourth Circuit Court of Appeals.

Respectfully submitted,

ALFRED W. BREINER
727 — 23rd Street, South
Arlington, Virginia 22202

Attorney for Petitioner

Of Counsel:

ROBERT C. PREM
929 N. Howard Street
Baltimore, Maryland 21201

THEODORE A. BREINER
727 — 23rd Street, South
Arlington, Virginia 22202

January 30, 1980

APPENDIX

APPENDIX A

Opinion Of Trial Judge, District Court, D. Maryland, Decided July 21, 1978

District Court, D. Maryland

Wm. T. Burnett & Company, Inc.
v. The General Tire & Rubber Company

No. Y-77-540
Decided July 21, 1978

Young, District Judge

By an amended complaint filed August 15, 1977, plaintiff Wm. T. Burnett & Company, Inc. (Burnett) seeks to recover damages from defendant, The General Tire & Rubber Company (General) for loss of the patent rights attributable to defendant's fraudulent conduct in patent procurement.

The parties were involved in lengthy interference proceedings before the United States Patent Office from 1962 until 1966 to determine the priority of invention of a process for making polyurethane foam. The proceeding resulted in an award of priority to General, from which plaintiff did not appeal. General ultimately obtained two patents, one relating to the process of blowing poly*ester* polyurethane foam, and one for poly*ether* polyurethane foam.

In subsequent litigation which did not involve Burnett, General claimed patent infringement by various companies, and one patent was declared unenforceable in part, due to failure to disclose certain information to the Patent Office during patentability proceedings. Although those proceedings were separate from and prior to the interference action, plaintiff claims that its inability to obtain a patent was a direct result of the fraud, and prays damages based upon a reasonable royalty which it would have obtained but for the fraud.

The plaintiff's theory may be summarized as follows: if the defendant had disclosed the information, its patent application would have been denied; there would therefore have been no in-

terference with plaintiff's application; and plaintiff would have obtained the patent.

General has moved to dismiss the complaint, or in the alternative, for summary judgment. The motion will be granted since plaintiff is precluded on various grounds from raising issues vital to its claim.

Background

General is the holder of two patents which are relevant in this litigation: NO. 3,072,582, POLYETHER-URETHANE FOAMS AND METHODS OF MAKING SAME, patented January 8, 1963; and NO. 3,391,093, POLYESTER-POLYURETHANE FOAMS AND METHODS OF MAKING SAME, patented July 2, 1968, (Exhibits 1 and 2 to the motion to dismiss the complaint).

Both patents originated with application Serial No. 541,823, filed on October 20, 1955. That application disclosed a particular method of making polyurethane foam which had been developed by Charles Frost, an employee of General. (Hereinafter this will be referred to as the Frost application or the parent application.)

The formation of a polyurethane from component substances involves use of a gas-forming material called a "blowing agent" which causes foaming.[1] Many materials cause the expansion of the foam—i.e., act as "additives in the process which form a gas and cause the urethane to expand into a cellular structure." 398 F. Supp. at 1356, 185 USPQ at 731. The agents used by Frost, which included various halogen-substituted alkanes, avoided problems connected with the use of other agents, such as gas escaping and causing crust to form or foams shrinking or collapsing after the initial rise.

---

[1] The background data is derived from the pleadings, including exhibits and the district court and appellate decisions in the infringment case. In Re Multi District Litigation Involving Frost Patent, 398 F.Supp. 1353, 185 USPQ 729 (D.Del. 1975); affirmed in part, reversed in part, 540 F.2d 601, 191 USPQ 241 (3rd Cir. 1976).

The parent application disclosed the process for both polyester and polyether foams.[2] The patent examiners rejected it as unpatentable on four occasions. In his third decision, June 24, 1958, the examiner cited prior art in the form of two foreign patents—the Hochtlen patent, a German patent; and the Wingfoot patent, a Belgian patent—as a reason for rejection. General then sought to distinguish Frost's work from the prior art in Hochtlen on the basis that the halogenated hydrocarbons used by Frost had different boiling points. Rejecting this distinction and denying patentability for the fourth time in May, 1959, the examiner stated:

> * * *it is not seen wherein the difference in boiling points is critical or patentable. Mere assertions as to suprior or unpredictable results are of no weight in the absence of proper corroborating evidence.

Patent examiner's conclusions, quoted at 398 F. Supp. at 1359, 185 USPQ at 733-734.

General did not respond to this invitation to document its assertions, but filed two continuation-in-part applications (CIPs), Serial Nos. 803,380 and 803,381 in 1959, for making polyester and polyether urethanes respectively.

The polyether application matured into Patent No. 3,072,582, patented January 8, 1963, which was the subject of numerous patent infringement actions brought by General Tire and consolidated by the Panel on Multi District Litigation.

Fraud in procurement is a well-established defense to an infringement claim, Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 USPQ 133 (1945).

After consolidation, a separate trial was ordered on the issue of alleged fraud by General in procuring the polyether method patent, In Re Multi District Litigation Involving Frost

---

[2] One component of polyurethane is a polyol. Polyester polyurethanes are made from polyester polyols and polyether polyurethanes are made from polyehter polyols.

Patent, supra. The deceptive behavior which General was determined to have practiced in that case is the basis for the present claim.

The Hochtlen and Wingfoot patents only disclosed the use of their respective blowing agents for blowing poly*ester* polyurethanes. The crux of the fraud was General's failure to report to the examiner the results of experiments by its employees, which successfully used these agents for blowing poly*ether* foam. The undisclosed tests were done in 1958 and prior to May 4, 1959, when the parent application was rejected for the fourth time.

In the multi district litigation, the court held that the selective disclosure of only those experiments which showed that the Hochtlen and Wingfoot agents were inoperative for poly*ethers,* was an intentional misleading of the Patent Office in a matter which might have affected the decision.

In its initial prosecution of the polyether CIP, General included a range of agents which covered agents disclosed by the prior patents. The examiner held that General's use of the Hochtlen and Wingfoot agents for polyether urethanes, rather than polyester urethanes, did not involve invention. Although the polyether application, when approved, no longer contained the Hochtlen and Wingfoot agents, the court held that failure to disclose the polyether tests using those agents was nonetheless a material omission, since it might have influenced the decision on patentability in view of prior art. The court reasoned that:

> If the examiner had known methylene chloride (a Hochtlen agent) is operative in processes using both polyethers and polyesters, his position that processes using polyesters are analogous to processes using polyethers would have been strengthened, and he might have continued to assert Hochtlen as a reference against processes utilizing polyethers. . .
>
> Since the claims were narrowed to exclude methylene chloride, it is entirely possible that the examiner would have dropped the Hochtlen reference even if successful use of methylene chloride had been disclosed. It is also possible, however, that the examiner would have felt that substitution of the claimed freons, alkanes and alkenes for methylene chloride would have been obvious to one of ordinary skill in the art; accordingly, he would have continued to reject the claims as unpatentable over Hochtlen.

398 F. Supp. at 1372 and footnote 38, 185 USPQ at 742 and footnote 38.

Concluding that there was both fraudulent intent and a material nondisclosure, the court held the Frost patent invalid. The reasonsing was affirmed on appeal, but the appellate court did not hold the patent invalid. Instead, enforcement was denied only to the extent that the patent covers *flexible* polyether urethane foams. The patent thus remains enforceable as to *rigid* polyether urethane foams. 540 F. 2d at 611, 191 USPQ at 248-249.

Burnett, in the name of Dr. Klesper, a research chemist in its employ, filed patent application Serial No. 610,658 (the Klesper application), on September 18, 1956. This application, based on Klesper's work using liquid haloalkanes as blowing agents for polyurethane foams, was prior to General's two CIP applications, filed in 1959, but subsequent to the parent application, filed in 1956.

On December 10, 1962, the Patent Office declared interference No. 93,228 between the Klesper application and Frost application No. 803,380, which is the poly*ester* CIP, filed in 1959. An interference is declared to determine the issue of priority of invention between different applications or between an application and a patent. It is declared when each contains "claims for substantially the same invention which are allowable in the application of each party." 37 CFR § 1.201(a) & (b).

In the interference between Frost and Klesper, the Frost application was accorded the benefit of the 1955 filing date of the parent application. Klesper, therefore, was the junior party with the burden of overcoming the presumption that inventions are made in the same chronological order as their filing dates. 35 U.S.C. § 102(e); 37 CFR 1.257.

However, the award of priority to Frost did not rest on the difference in filing dates, pursuant to §102(e), but on Frost's earlier reduction of the invention to practice, pursuant to §102(g). In response to Klesper's contention that Frost should not have been granted the benefit of the 1955 date, the Board stated:

> * * *we are of the view that Frost has established an actual reduction to practice prior to the filing date of his parent application, so that it is not essential to our decision that Frost be accorded the benefit of the filing date of this application.

Patent Interference No. 93,228, Klesper v. Frost at p. 7 (Copy attached to defendant's motion to dismiss as Exhibit 3.) The Board found that the Frost invention had been reduced to practice prior to the filing of the parent application and prior to the earliest date when Klesper could assert invention. The Frost polyester CIP matured into Patent No. 3,391,093, patented July 2, 1968.

In summary, General's application for a patent for a poly*ester* urethane foam process was awarded priority over Burnett's application in interference proceedings. No part of the resulting patent has ever been held invalid or unenforceable. General's polyether patent was held partially unenforceable, due to fraud in procurement, during patent infringement litigation not involving Burnett. Since different applications were involved in the interference and infringement proceedings, there is a threshold question of casual connection between defendant's fraud and plaintiff's loss in the interference.

Plaintiff seeks to bridge the gap by alleging that both General patents are tainted by the fraud, because they derived from the same parent application. The undisclosed experiments were performed prior to General's decision to file two CIPs. The fraud may have been relevant to this decision, and also to the conclusion concerning patentability in both cases.

While plaintiff may encounter difficulties proving this "taint," the allegations of the amended complaint are sufficient to avoid dismissal on this basis.

Statement of Issues

Plaintiff seeks damages for the reasonable value of royalties for patents it allegedly would have obtained if there had been no fraud by General. Plaintiff would differentiate its claim from an action to obtain a patent or to appropriate the patents owned by General, stating: "Burnett recognizes that long prior to the date of its complaint it was precluded from such action. Plaintiff's memorandum opposing dismissal at p. 11.

Despite this distinction, plaintiff is, in fact, claiming the benefits of General's patent, and cannot prevail without establishing that it, not General, would have obtained the patent if the Patent Office had known of the fraud.

Plaintiff cannot now relitigate the issue of priority. This was the very issue litigated between the parties in the interference, and Burnett's time for appeal has long since passed. Whether a fraud directly related to the order of invention would constitute an exception to the principle of res judicata need not be decided, since there is no such issue under the facts of this case. The fraud related to events in 1958 and to the issue of superiority over prior art. It would not have changed the Board decision on priority between Klesper and Frost, based on the level of work each had attained by 1955.

Therefore, to recover for loss of patent rights, plaintiff must prove that Klesper's work would have been patented, despite prior invention by Frost. This proposition contains inherent difficulties. The basis for the interference and for plaintiff's present claim is that Klesper's process was substantially identical to Frost's. If the undisclosed experiments would have led the patent examiner to conclude that the Frost application was not superior to prior art, it appears logical that the same reasoning would have made Klesper's work unpatentable. This would mean that Burnett lost no patent rights due to the fraud, and has no basis to claim damages here.

However, although plaintiff would have a long row to hoe to avoid this conclusion, the claim cannot be dismissed on this

ground without affording it an opportunity to do so. Given the long time period since the Board's decision and the highly complex, technical nature of the subject matter, it appears virtually impossible that plaintiff can sustain the burden of showing harm which is more than speculative. However, these questions need not be reached.

As stated above, since the fraud does not change the priority, plaintiff cannot succesfully assert loss of patent rights due to the fraud, unless the fraud would, on some theory, have nullified the Frost application. Two possible theories are:

> 1. The Frost invention would have been found unpatentable if the information had been disclosed; therefore, no interference, could have arisen.
> 2. The Patent Office would have stricken the application under its rules as a penalty for fraud; therefore, no interference would have arisen.

The claim will be dismissed since the plaintiff may not raise these issues in this Court for the type of relief[3] it seeks.

I. A Plaintiff Who Has Lost on the Issue of Priority Cannot Attack Patentability.

Since plaintiff is bound by the former decision on priority under principles of res judicata, the question is: whether a plaintiff, who loses on appeal from an adverse Patent Office priority decision can require the court to adjudicate the patentability of the opponent's invention.[4] Assuming arguendo that the time does not bar the patentability issue since the fraud relates to patentability, plaintiff's rights cannot be greater than they would have been in a timely appeal from the interference decision.

---

[3] The complaint also refers to the Patent Office's refusal to declare an interference between General's poly*ether* patent and plaintiff's work. It is difficult to conceptualize a basis for relief from such events. All of the reasons which prevent plaintiff from raising the primary claims apply with even greater force to the other allegations.

[4] Because plaintiff is bound by adverse finding on priority, it is in the same position as a party who appeals the finding and loses on appeal.

Since the law is well settled that courts will not adjudicate patentability in an appeal from an interference decision decided on priority, Burnett cannot now ask the Court to hold Frost's invention unpatentable.

Appeal from a Board decision in interference proceedings may be to the Court of Customs and Patent Appeals or by initiation of a civil action in federal district court, 35 U.S.C. §141, 146. Either party can require the other to accept de novo review in district court, rather than review by the Court of Customs and Patent Appeals, Tibbetts Industries, Inc. v. Knowles Electronics, Inc., 386 F.2d 209, 156 USPQ 65 (7th Cir. 1967). In either case, the statute provides that the remedy is available for a party "dissatisfied with the decision of the board of patent interferences *on the question of priority*" 35 U.S.C. §141, 146 (emphasis added).

Therefore, even in district court, only questions relating to priority are considered. The issue of patentability does not come under this heading, Sanford v. Kepner, 344 U.S. 13, 95 USPQ 169 (1952). In Sanford, plaintiff sought review of the adverse interference decision by bringing a bill in equity, under R.S. §4915, 35 U.S.C. §63, the precursor to 35 U.S.C. §146, seeking to be adjudged the inventor, and asking that Kepner's claims be adjudged unpatentable because of prior patents. Because it agreed with the Patent Office priority decision, the district court refused to consider the challenge to patentability. The Supreme Court granted certiorari specifically to resolve the conflict among the circuits "concerning the duty of district courts to consider and adjudicate questions of invention and patentability when parties urge them in R.S. §4915 proceedings," 344 U.S. at 14, 95 USPQ at 169-170, and held that the trial court which affirms on priority does not need to reach the issue of patentability. In reasoning which is directly applicable to the present case, the Court said:

> The obvious purpose of * * * R.S. §4915 is to give a judicial remedy to an applicant who has been finally denied a patent because of a Patent Office decision against him and in favor of his adversary on the question of priority.

When the tiral court decides this facutal issue of priority against him and thus affirms the refusal of the patent by the Patent Office, he has obtained the full remedy the statute gives him. Only if he wins on priority may he proceed. In that event, the statute says, the court may proceed to "adjudge that such applicant is entitled, according to law, to receive a patent for his invention. . . ." So adjudging, it may authorize issuance of the patent. But judicial authorization of issuance implies judicial sanction of patentability and for this reason this Court has said, "It necessarily follows that no adjudication can be made in favor of the applicant, unless the alleged invention for which a patent is sought is a patentable invention." Hill v. Wooster, 132 U.S. 693, 698. The principle of the Hill case is that the court must decide whether claims show patentable inventions before authorizing the Commissioner to issue a patent. No part of its holding or wording nor of that in Hoover Co. v. Coe, 325 U.S. 79, 65 USPQ 180, requires us to say R.S. §4915 compels a district court to adjudicate patentability at the instance of one whose claim is found to be groundless. Sanford's claim was found to be groundless.

> It is unlikely that this equity proceeding would develop a full investigation of validity. There would be no attack on the patent comparable to that of an infringement action. *Here the very person who claimed an invention now asks to prove that Kepner's similar device was no invention at all because of patents issued long before either party made claim for his discovery. There is no real issue of invention between the parties here and we see no reason to read into the statute a district court's compulsory duty to adjudicate validity.*

344 U.S. at 15-16, 95 USPQ at 170 (emphasis added).

When Kepner was decided, the statutory review provisions did not explicity state that review was available for the dissatisfied party in interference "on the question of priority." The addition of this phrase gives added force to Kepner. Although Kepner can be read as making district court review of patentability at the behest of one who has lost on priority permissive, courts overwhelmingly refuse to provide such review. E.g., E. I. duPont de Nemours & Co. v. Celanese Corp., 291 F.Supp. 428, 159 USPQ 161 (S.D. N.Y. 1968); Turchan v. Bailey Meter Co., 19 F.R.D. 201, 109 USPQ 473 (D.Del. 1956).

In view of the added statutory wording, both district courts and the Court of Customs and Patent Appeals have regarded the scope of appeal limited to questions of priority or ancillary to priority. Sperry Rand Corp. v. Bell Telephone Laboratories, Inc., 171 F.Supp. 343, 121 USPQ 39 (S.D. N.Y. 1959); Glass v. DeRoo, 239 F.2d 402, 112 USPQ 62 (C.C.P.A. 1956).

The sound policy considerations against having the loser on priority challenge patentability are well expressed in Sperry Rand, where the court stated:

> To allow this new issue to be injected into the case under these circumstances would be an invitation for litigants to raise the issue of "operativeness" anew in every case where a party is dissatisfied with the decision of the Board of Patent Interferences. It would encourage parties to trade on the "ignorance" of the court in complicated technical matters with the hope that a judge, untrained in the intricacies of technology, might find inadequate disclosure of inoperativeness.

171 F.Supp. at 348, 121 USPQ at 43.

This approach is consistent with the statutory scheme, which only allows the "applicant" to appeal a patentability decision. 35 U.S.C. §141, §145. No statutory basis is provided for a private party to challenge the Patent Office decision on patentability, and only the United States may sue to cancel or annul a patent. Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172, 147 USPQ 404 (1965). Courts should not exercise their equitable powers in this area to subject a patentee "to innumerable vexatious suits to set aside his patent." Mowry v. Whitney, 14 Wall 434, 441 (1872).

Private parties may challenge patent validity in two situations; as a defense to patent infringement suits and in suits to enforce the antitrust laws. Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 USPQ 133 (1945); Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 19 USPQ 228 (1933); Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., supra.

The Supreme Court has held that the public interest in the integrity of the patent process is promoted by allowing a defendant charged with infringement to attack the validity of the patent on various grounds, including fraudulent conduct in procurement. In Precision Instrument, supra, the Court stated:

> A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the "Progress of Science and useful Arts." At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.

324 U.S. at 816, 65 USPQ at 138.

However,the defensive use of fraudulent procurement in infringement claims and offensive use by a disappointed applicant are very different. As indicated above, courts recognize the problems of vexatious suits. Further, as the plaintiff poses the issues in this case, the public interest in preventing the monopolistic benefits of a patent from being conferred upon an unpatentable idea would not be promoted. As plaintiff states, the patent would stay in effect; the only difference would be that plaintiff would get the benefits.

For the same reason, the ability of private parties to challenge patents for fraudulent procurement under the antitrust laws does not provide a basis for relief. In Walker, supra, a defendant charged with patent infringement counterclaimed that Walker had developed an illegal monopoly through fraudulent procurement. The Court of Appeals affirmed the dismissal of the counterclaim, on the ground that fraud on the Patent Office may not be used "in an original affirmative action, instead of as an equitable defense." Food Machinery and Chemical Corp. v. Walker Process Equpment, Inc., 335 F.2d 315, 316, 142 USPQ 192, 193 (7th Cir. 1964). The Supreme

Court rejected this distinction only for purposes of claims brought under the antitrust laws; in other respects, it reiterated the rule against private parties challenging patent validity:

> We have concluded, first, that Walker's action is not barred by the rule that only the United States may sue to cancel or annul a patent. It is true that there is no statutory authority for a private annulment suit and the invocation of the equitable powers of the court might often subject a patentee "to innumerable vexatious suits to set aside his patent." * * * But neither reason applies here. Walker counterclaimed under the Clayton Act, not the patent laws. While one of the elements is the fraudulent procurement of a patent, the action does not directly seek the patent's annulment. The gist of Walker's claim is that since Food Machinery obtained its patent by fraud it cannot enjoy the limited exception to the prohibitions of §2 of the Sherman Act, but must answer under that section and §4 of the Clayton Act in treble damages to those injured by any monopolistic action taken under the fraudulent patent claim. Nor can the interest in protecting patentees from "innumerable vexatious suits" be used to frustrate the assertion of rights conferred by the antitrust laws. It must be remembered that we deal only with a special class of patents, i.e., those procured by intentional fraud.

382 U.S. at 175-176, 147 USPQ at 406-407.

The language of Walker applies only to suits brought under the antitrust laws, and has not been extended.

The inability of the party disappointed in interference proceedings to raise the issue of fraud in procurement, where not relevant directly to priority of invention, is well stated in Standard Oil Co. v. Montedison. S.p.A., 540 F.2d 611, 191 USPQ 657 (3rd Cir. 1976):

> We do not regard the discretionary power of the district court to permit an issue of fraud to be raised for the first time in a §146 action as extending to issues of fraud which are not involved in the interference proceeding itself. For it is only fraud which may have affected the determination by the Board of the factual issue of priority of invention, i.e., the question as to which of the parties involved in the interference actually first used the device or process of the in-

> vention, which could have any effect on the determination by the Board of that historical fact. While other fraud might well affect the right of the party perpetrating it to receive a patent even though he was in fact the first of the parties to the interference to use the invention, it obviously could not change the historical fact of priority itself or authorize a finding that another party had priority of invention whose use had actually been anticipated by the first party. What effect, if any, a finding of such fraud might have upon the rights of other parties than the perpetrator would appear to be a matter for determination by the Commissioner of Patents and Trademarks and the courts in appropriate litigation, not by the Board in the interference proceeding or by the district court, upon review under §146 of the Board's determination of priority of invention in that proceeding.

540 F.2d at 617, 191 USPQ at 661.

In summary, plaintiff, by virtue of having been involved in an interference with General, did not acquire any right to challenge patentability. Similarly, plaintiff cannot analogize itself to a defendant in a patent infringement case, and raise the fraud found therein to assert affirmative claims here. The considerations which allow fraud in procurement to be raised in antitrust claims and as a defense to patent infringement do not apply here. On the contrary, the manifold difficulties, inherent in such a suit, illustrate the soundness of the legislative decision not to give a cause of action to private parties on the question of patentability.

II. The Court Cannot Now Apply Patent Office Rules Which Allow the Discretionary Striking of Improper Applications.

Under Patent Office Rule 56:

> Any application signed or sworn to in blank, or without actual inspection by the applicant, and any application altered or partly filled in after being signed or sworn to, and also any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent Office, may be stricken from the files.

There is no specific statutory basis for striking applications in these situations, but the Rule is properly promulgated pursuant to 35 U.S.C. §6, which gives rule-making authority to the Commissioner. Norton v. Curtiss, 433 F.2d 779, 167 USPQ 532 (CCPA 1970). Since the decision to strike is at the discretion of the Patent Office, it can be reviewed only for abuse of discretion. Norton v. Curtiss, supra; Vandenberg v. Reynolds, 268 F.2d 744, 122 USPQ 381 (CCPA 1959); Vandenberg v. Reynolds, 242 F.2d 761, 113USPQ 275 (CCPA 1957).

In the instant case, the Rule 56 issue was not considered in the Patent Office, and the Court has no decision to review. Although district court review is de novo, a claim which rests entirely on an act which is discretionary with the Commissioner is inherently one which cannot be decided by the Court in the first instance. This is consistent with the general rule, that in district court proceedings, the parties are confined to contentions made in the Patent Office, and may generally only raise additional evidence, not additional issues. The nature of the district court review is well expressed in Monsanto Co. v. Kamp, 269 F.Supp. 818, 154 USPQ 259 (D. D.C. 1967), where the court stated:

> They (actions to review rejected patent applications and adverse interference decisions) are proceedings of a hybrid nature. They are sometimes denominated "trials de novo", but such use of this term is somewhat loose. Proceedings in this Court in actions of these two types are not true or genuine trials de nove. The administrative record of the Patent Office forms the nucleus of the evidence before the District Court. Unlike, however, the customary judicial review of administrative decisions where the administrative agency acts on a record, the Court does not confine itself to that record in these cases. Additional evidence is admissible in support of contentions advanced by the parties in the Patent Office.

269 F.Supp. at 822, 154 USPQ at 260-261. See also Stamicarbon, N. V. v. Chemical Construction Corp., 544 F. 2d 645, 192 USPQ 11 (3rd Cir. 1976).

Further, under the facts of this case, plaintiff might well not have received an inter partes decision on Rule 56 in the administrative interference proceeding. As stated above, the Patent Board in interferences hears only issues ancillary to priority. In Norton and Vandenberg, supra, a question was raised as to whether the opponent in interference could require consideration of Rule 56 inter partes, or whether it was a matter for ex parte consideration by the Commissioner after priority was determined.

In Norton, it was argued that the Rule 56 challenge was based on events which occurred three years after the application was filed and could have no effect on priority. The court disagreed, stating:

> * * * If the charges made by Norton are found to be of substance, Curtiss stands to lose, at the least, his right to have those claims in his present application to which the charges relate mature into a patent. That translates, in this case, to a loss of standing as a party to the interference. This question is clearly one which is ancillary to priority and was therefore properly considered by the board and must now be reviewed by this court.

433 F.2d at 783, 167 at 535.

While the analogy to the instant case is clear, a key distinction must be made. In both Vandenberg and Norton, it appeared that the filing dates would decide the priority issue, since filing dates are treated as constructive reductions to practice when neither party proves a reduction to practice prior to filing, 35 U.S.C. §102(e)

But, that is not the situation here. As stated, the Board determined that Frost reduced the invention to practice before the first filing date. Therefore, even if the application had been stricken, General would still have had priority, despite losing the benefit of the earlier filing date, 35 U.S.C. §106(g).

In summary, viewed from any perspective, plaintiff cannot claim for loss of patent rights as a result of the fraud and is not entitled to damages. If the fraud had been brought to light

earlier, if General's application had been stricken, if General's claims were unpatentable, plaintiff would not have had priority. Under the statutory scheme, the applicant without priority cannot challenge patentability or other issues not ancillary to the issue of priority. In balancing the public interest in fraud-free patent proceedings and the patentee's interest in freedom from vexatious suits, the legislature struck the balance against allowing attacks on validity by one in plaintiff's position with its purposes. It is not for this Court to change the congressional scheme.

Accordingly, it is this 21st day of July, 1978, by the United States District Court for the district of Maryland, ordered:

That the motion to dismiss the complaint be, and the same is, hereby granted.

APPENDIX B

Opinion, Court of Appeals, Fourth Circuit, Decided September 17, 1979

Court of Appeals, Fourth Circuit

William T. Burnett & Company
v. The General Tire & Rubber Company

No. 78-1725
Decided Sept. 17, 1979

Bryan, Senior Circuit Judge.

This litigation involves applications for, and grants and refusal of, patents for the manufacture of polyurethane foams (PU, a plastic).[1] It arose in an action for damages filed April 7, 1977 by William T. Burnett & Company, Inc. (Burnett, plaintiff or appellant) against The General Tire & Rubber Company (General, defendant or appellee), predicated on charges that the plaintiff was deprived of the benefits of a United States patent and the opportunity to procure it by the alleged fraud of General upon the Patent Office.[2] On defendant's motion under Fed. R. Civ. P. 12(b)(6), the District Court dismissed the amended complaint for failure to state a claim upon which relief could be granted. Agreeing with the result of the trial judge's opinion, we affirm. William T. Burnett & Co., Inc. v. The General Tire & Rubber Co. 454 F.Supp. 794, 200 USPQ 223 (D.C. Md. 1978).

I.

The patents in suit are two in number. One covers the creation of polyester polyurethane foam (PEU), and the other polyether polyurethane foam (also PEU). They had a common origin, deriving from the "parent application" filed by General

[1] An informative description of polyurethane foams and their use, may be found (as noted by the District Judge in the present case) in the opinion of the trial judge in the related litigation of In Re Multidistrict Litigation Involving Frost Patent, 398 F. Supp. 1353, 1356, 185 USPQ 729, 731-732 (D.C. Del. 1975).

[2] Jurisdiction was pleaded and proved on diversity of citizenship, 28 U.S.C. §1322 (1976).

on October 20, 1955, and designated as Serial No. 541,823. Under that date and in that application, General sought a patent on an invention of Charles Frost, its employee. The Frost technology involved the utilization of gases as blowing agents in the manufacture of polyester and polyether polyurethane foams. The Patent and Trademark Office (PTO) rejected the application, finding that all of the Frost claims had been anticipated in prior references, including the Hohtlen and Wingfoot patents, German and Belgian, respectively.

After four rejections, General filed two continuation-in-part (CIP) applications, both on April 1, 1959. On one, No. 803,381, a patent for poly*ether* foam using gases was issued to General on January 8, 1963, as United States Patent No. 3,072,582. On the other, No. 803,380 a patent for poly*ester* polyurethane foam also using gases was issued to General as Patent No. 3,391,093, but not until July 2, 1968. Meanwhile, on September 18, 1956, Burnett filed its application No. 610,658, in the name of Ernst Klesper, one of its chemists, for a patent on a similar process using liquids, instead of gases, to create the foam. See Part II infra.

After the CIP-issued patents were awarded to General, it brought numerous actions on Patent No. 3,072,582 (poly*ether*), for infringement by third parties, *not including Burnett*. In a case styled In Re Multidistrict Litigation Involving Frost Patent, 398 F. Supp. 1353, 1356, 185 USPQ 729, 731-732 (D.C. Del. 1975), the patent was held invalid because General had procured it through fraudulent means. However, on appeal this decision was partially reversed. In Re Multidistrict Litigation Involving Frost Patent, 540 F.2d 601, 191 USPQ 241 (3d Cir. 1976). The appellate ruling denied enforcement of the patent "to the extent that its claims purport to apply to *flexible* poly*ether* urethane foams." Id. at 611, 191 USPQ at 248-249.

In the present suit, Burnett's Amended Complaint alleged that fraud thwarted the fair consideration not only of the No. 803,381 application for the polyether patent, as already discussed, but also of application No. 803, 380 for its polyester patent. General's alleged frauds upon the Patent Office had consisted

of making false statements capable of influencing the patent examiner with respect to General's right to the patents; and, furthermore, the fraud was charged as including the non-disclosure of the advantages of using high-boiling point liquids as blowing agents in the manufacture of polyurethane foam, something it had discovered in 1958 during its experiments to establish the patents it was seeking, based on the use of gases. All of this conduct, Burnett presses, could have influenced the patent examiner with respect to the right of General to any patent on the Frost Applications. While Burnett was not a party in the suit wherein General's fraud was declared, it contends that the alleged fraud permeated the applications and precluded Burnett from winning priority in the contemporaneous interference proceeding (to be discussed in Part II infra) noticed on December 10, 1962, between its application No. 610,658, filed September 18, 1956, and General's application No. 803,380, filed April 1, 1959.

II.

Since Burnett did not participate at all in the proceedings leading to the decision of the Third Circuit, a complete introduction to the decisive question in this suit requires consideration of the No. 610,658 application by Burnett for a patent on the manufacture and sale of polyurethane. In the summer of 1955, Burnett's chemist, Klesper, had perceived that the polyurethane technology could be improved by injecting a high-boiling point liquid to make the foam. Whereupon, as heretofore noted, Burnett filed with the Patent Office, on September 18, 1956, its Klesper application No. 610,658 for a patent covering blowing agents for both polyether and polyester foams.

In December 1962, six of Klesper's claims were allowed by the PTO. The Office then declared Interference No. 93,228 between the Burnett/Klesper application, No. 610,658, filed September 18, 1956, and General/Frost polyester application, NO. 541, 823, filed October 20, 1955. In the Interference, the PTO, on September 12, 1966, awarded priority to General/Frost, not for the reason that General's application of

October 20, 1955 was earlier than Klesper's of September 18, 1956, but because the General/Frost invention was reduced to practice earlier than the Burnett/Klesper one. See William T. Burnett & Co. v. The General Tire & Rubber Co., 454 F.Supp. at 797, 200 USPQ at 227; 35 U.S.C. §§102(e) and (g) (1975).

The claim made by Klesper in the Interference, according to the Burnett argument, was for a patent upon the manufacture of poly*ester* foam by the use of high-boiling point liquids as the blowing agent instead of by the gaseous low-boiling point process in the application of General. (This application became patent No. 3,391,093 after the Interference determination.) As heretofore observed, in the present action for damages, Burnett ascribes the award of priority to General to the alleged fraud committed by General during the prosecution of General's applications Nos. 541,823, 803,380 and 803,381, resulting in the granting of patents No. 3,072,582 for polyether and No. 3,391,093 for polyester.

III.

According to our understanding of Burnett's argument at the bar, it does not seek damages for its failure to obtain a patent; rather, it seeks damages for its failure to be granted a fair *opportunity* to procure a patent by reason of the defendant's fraud. However, prayer (A) of the Amended Complaint indicates that plaintiff asks damages comparable to lost royalties on the patent or patents which would have issued to it but for the defendant's fraud. In no circumstances presented here, however, can the plaintiff-appellant prevail.

Resolution of this controversy rests upon the determination by Burnett not to pursue its various contentions in a suit to review the decision in the Interference, as permitted by statute. See Sanford v. Kepner, 344 U.S. 13, 14-15, 95 USPQ 169, 169-170 (1952), citing 35 U.S.C. §63, which by amendments is now embraced in 35 U.S.C. §§141 and 146 (1975). That resolve foreclosed any further claims that the loss of priority was attributable to any issue open to litigation in that proceeding, including fraud. Principles of res judicata squarely bar Burnett's demands for damages. Daniels v. Coe, 116 F.2d 941, 47 USPQ

203 (D.C. Cir. 1940). In Daniels, Vinson, A.J., later Chief Justice of the United States, announced for the Court:

> An interference determination settles not only the claims made, but all that could have been presented.
>
> * * *
>
> Whether the second proceeding is an interference, a reissue, a suit to obtain letters patent, or other type of action, the first proceeding is res judicata on all claims that were made or could have been made therein. (Footnotes omitted).

Id. at 943, 47 USPQ at 205-206

The judgment on appeal will not be disturbed.

Affirmed.

APPENDIX C

Order, Court of Appeals, Fourth Circuit, Denying Petitioner's Petition For Rehearing, November 1, 1979

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT
No. 78-1725

William T. Burnett & Company, *Appellant,*

versus

The General Tire & Rubber Co., *Appellee.*

ORDER

Upon consideration of the appellant's petition for rehearing, by counsel,

IT IS ORDERED that the petition for rehearing is DENIED.

Entered at the direction of Judge Bryan for a panel consisting of Judge Bryan, Judge Phillips, and Judge Dumbauld.

For the Court,

/s/ WILLIAM K. SLATE, II
CLERK

Filed
November 1, 1979
William K. Slate, II
Clerk

APPENDIX D

Order, Court Of Appeals, Fourth Circuit, Denying Petitioner's Motion For An En Banc Review, January 22, 1980

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT
NO. 78-1725

William T. Burnett & Company, *Appellant,*

versus

The General Tire & Rubber Company, *Appellee.*

ORDER

Upon consideration of the appellant's motion for an en banc review of the denial of its petition for rehearing, by counsel, and no member of the court having requested a poll,

IT IS ORDERED that the motion for an en banc review is denied.

Entered at the direction of Judge Phillips with the concurrence of Judge Bryan and Judge Dumbauld.

FOR THE COURT,

/s/ WILLIAM K. SLATE, II
CLERK

APPENDIX E

Constitutional Provisions And Judicial Doctrine Involved

Constitution Of The United States:

Amendment V — Capital Crimes; Double Jeoparty; Self-Incrimination; Due Process; Just Compensation For Property

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

APPENDIX F

Article From *BNA's Patent, Trademark & Copyright Journal*, November 1, 1979, No. 452, pp. A8-A9, Entitled "Failure To Appeal Interference Defeat Bars Subsequent Assertion Of Fraud Claim"

Failure To Appeal Adverse Interference Ruling Bars Fraud Claim: Since adverse interference ruling was not appealed, subsequent claim that victor's fraud caused loss of patent rights is barred by doctrine of res judicata. page A-8

* * *

FAILURE TO APPEAL INTERFERENCE DEFEAT BARS SUBSEQUENT ASSERTION OF FRAUD CLAIM

The failure to appeal an adverse interference ruling forecloses subsequent litigation charging that the loss of patent rights was occasioned by the victor's fraud. As far as the U.S. Court of Appeals for the Fourth Circuit is concerned, "[p]rinciples of res judicata squarely bar [plaintiff's] demands for damages." (William T. Burnett & Co. v. General Tire and Rubber Co., 9/17/79)

Background

Plaintiff Burnett and defendant General Tire & Rubber Co. were involved in interference proceedings before the Patent Office from 1962 until 1966. The interference counts related to a process for making polyurethane foam. General prevailed, and ultimately obtained two patents, one relating to the process of blowing polyester polyurethane foam, and one for polyether polyurethane foam.

In subsequent litigation which did not involve Burnett, General's patent on polyether urethane foam was declared unenforceable in part, due to General's intentional failure to disclose certain material information to the Patent Office. See In re Multidistrict Litigation Involving Frost Patent, 540 F.2d 601, 191 USPQ 241 (CA3 1976), 290 PTCJ A-10.

Burnett then brought suit seeking damages for the reasonable value of royalties it allegedly would have obtained if it had not lost patent rights as a result of General's fraud. Plaintiff's theory was as follows: If General had made a full disclosure, its patent application would have been denied; there would have been no interference with plaintiff's application; and plaintiff would have obtained the patent. The district court dismissed the complaint for failure to state a cause of action. 454 F. Supp. 794, 200 USPQ 223 (D Md. 1978), 403 PTCJ A-7.

Decision

The Fourth Circuit, per Senior Judge Bryan, affirms the judgment below. An analysis of Burnett's complaint convinces the court that principles of res judicata bar this action:

> [Text] According to our understanding of Burnett's argument at the bar, it does not seek damages for its failure to obtain a patent; rather, it seeks damages for its failure to be granted a fair *opportunity* to procure a patent by reason of the defendant's fraud. However, prayer (A) of the Amended Complaint indicates that plaintiff asks damages comparable to lost royalties on the patent or patents which would have issued to it but for the defendant's fraud. In no circumstances presented here, however, can the plaintiff-appellant prevail.
>
> Resolution of this controversy rests upon the determination by Burnett not to pursue its various contentions in a suit to review the decision in the interference, as permitted by statute. See Sanford v. Kepner, 344 U.S. 13, 14-15 (1952), citing 35 U.S.C. §63, which by amendments is now embraced in 35 U.S.C. §§ 141 and 146 (1975). That resolve foreclosed any further claims that the loss of priority was attributable to any issue open to litigation in that proceeding, including fraud. Principles of res judicata squarely bar Burnett's demands for damages. Daniels v. Coe, 116 F.2d 941 (D.C. Cir. 1940). In Daniels, Vinson, A.J., later Chief Justice of the United States, announced for the court:
>
> > An interference determination settles not only the claims made, but all that could have been presented.
> >
> > * * *
> >
> > Whether the second proceeding is an interference, a reissue, a suit to obtain letters patent, or other type of action, the first proceeding is res judicata on all claims that were made or could have been made therein. (Footnotes omitted). [End Text].